

**EAST GRAND RAPIDS
PUBLIC SCHOOLS
Kent County, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2006

EAST GRAND RAPIDS PUBLIC SCHOOLS
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For the year ended June 30, 2006

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

September 22, 2006

The Board of Education
East Grand Rapids Public Schools

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of East Grand Rapids Public Schools (the "District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major funds and the aggregate remaining fund information of East Grand Rapids Public Schools as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006 on our consideration of East Grand Rapids Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of East Grand Rapids Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

As management of the East Grand Rapids Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2006</u>	<u>2005</u>
Assets		
Current assets	\$ 29,173,811	\$ 9,550,197
Capital assets, net book value	<u>46,954,952</u>	<u>48,634,104</u>
Total Assets	<u>76,128,763</u>	<u>58,184,301</u>
Liabilities		
Current liabilities	7,768,124	7,063,855
Long-term liabilities	<u>71,057,295</u>	<u>53,924,233</u>
Total Liabilities	<u>78,825,419</u>	<u>60,988,088</u>
Net Assets		
Invested in capital assets, net of related debt	(7,065,570)	(6,691,342)
Restricted	682,384	669,541
Unrestricted	<u>3,686,530</u>	<u>3,218,014</u>
Total Net Assets	<u>\$ (2,696,656)</u>	<u>\$ (2,803,787)</u>

The results of the fiscal year's operations for the District as a whole are presented in the Statement of Activities, which shows the change in total net assets for the year.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

The Statement of Activities presents changes in net assets from operating results:

	<u>2006</u>	<u>2005</u>
Program Revenues		
Charges for services	\$ 1,975,361	\$ 1,680,587
Operating grants	2,388,428	2,404,292
General Revenues		
Property taxes	5,569,389	5,285,521
State school aid, unrestricted	21,385,814	20,401,596
Interest earnings	222,623	107,732
Other	223,781	107,496
Total Revenues	<u>31,765,396</u>	<u>29,987,224</u>
Expenses		
Instruction	16,788,341	15,766,344
Supporting services	9,928,865	9,392,702
Community services	396,213	341,036
Food service	864,814	838,719
Athletics	963,170	914,142
Other	30,098	19,398
Interest on long-term debt	2,686,764	2,117,712
Total Expenses	<u>31,658,265</u>	<u>29,390,053</u>
Increase (decrease) in net assets	107,131	597,171
Net Assets - Beginning of Year	<u>(2,803,787)</u>	<u>(3,400,958)</u>
Net Assets - End of Year	<u><u>\$ (2,696,656)</u></u>	<u><u>\$ (2,803,787)</u></u>

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. Historical expenditure reductions and closely monitored spending practices helped ensure the financial stability of the General Fund.

The District's total revenues increased 6% to \$31.8 million. Unrestricted State aid accounted for 67% of the revenues, while property taxes amounted to 17.5%. Another 7.5% came from state and federal aid for specific programs and the remainder from fees charged for services, interest earnings and miscellaneous sources.

The total cost of all programs and services increased 7.7% to \$31.7 million. While retirement and insurance expense rates increased at a higher rate, the District's budget committee worked to develop a comprehensive budget plan which maintained academic programs for students in East Grand Rapids.

Revenues surpassed expenses by \$107,131 on the Statement of Activities, increasing Unrestricted Net Assets to \$3,686,530 at June 30, 2006.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

The recent stability of the District's finances can be attributed to steady to slightly increased student enrollment and proactive budgeting and outstanding Community support.

- Budgets for 2005-06 were based on flat enrollment in fall count. Actual enrollment rose slightly resulting in a small increase in State Aid.
- The community fund drive for the Jimmy Gerken Plaza and other outdoor athletic facilities continued to be received. Receipts for 2005-06 totaled approximately \$146,000 leaving a balance in donations owed over the next fiscal year totaling \$122,822.
- The support expressed by the community in the 1.4 mill recreational millage increase resulted in increased revenue of \$632,000.

The District has also worked to reduce costs in many areas through collaboration with other districts, changing contracted vendors, utilization of governmental reimbursement programs where possible and just shopping for the best price:

- The District offered an early retirement incentive to professional staff, which allowed the district to reduce positions through attrition.
- The District continues to optimize revenue and reduce expense through the Federal E-Rate program and cooperative contracts for the purchase of utility services.
- The District partnered with Regional Schools through KISD to create a regional transportation program for Special Education creating efficiencies and future additional revenues.
- The District receives a base payment from Sprint/Nextel and Cingular for an antenna at Memorial Field, as well as an annual accrual payment from Coca Cola through the KISD Beverage Consortium.

The administration will push to increase these and other costs saving programs for the next fiscal year. As State revenues level out or actually decrease, it will be essential that the District continue to try to reduce expenditures and maximize revenues.

- Local revenues including property taxes and major donations accounted for \$2.72 million, or about 10.3% of General Fund revenues.
- Most of the District's costs were financed by State Aid which represented 82% of General Fund revenues.
- In 2006-07 the district will realize cost savings from participating in the implementation of the first regional self-funded employee benefits pool.
- The District has partnered with Energy Education Inc. to maximize efficiency of energy usage to offset some of the recent increase in utility prices.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or difference) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. East Grand Rapids Public School's funds are described as follows:

Major Funds

General Fund

The General Fund is the primary operating fund. The General Fund had total revenues of \$26,349,623, total expenditures of \$25,095,677, and total other financing uses of \$465,966. It ended the fiscal year with a fund balance of \$3,769,167, up from \$2,981,187 as of June 30, 2005 for an increase of \$787,980.

Building and Site Fund

The Building and Site (Sinking) Fund is funded by annual property tax levies which are utilized to improve District facilities. Current year revenues totaled \$268,038 and expenditures totaled \$183,886 leaving a remaining fund balance at June 30, 2006 of \$1,051,329.

2006 Construction Fund

The District issued \$18,900,000 in capital improvement bonds in 2006 to finance building renovations and equipment purchases. A bond premium of \$318,433 was recognized on the issuance, and initial costs totaled \$194,126, leaving a remaining fund balance at June 30, 2006 of \$19,024,307 with which to complete the projects over subsequent fiscal years.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, for the food service and athletic programs. Total revenues were \$1,321,571 and other financing sources (inter-fund transfers) were \$465,966, with total expenditures of \$1,719,942. Both funds continued to meet financial expectations resulting in ending fund balances of \$45,908 for Food Service and \$62,747 for Athletics.

Debt Service Funds

The District operates four Debt Service Funds. Total revenues and other financing sources were \$4,278,061 and total expenditures were \$4,231,074. The ending fund balances in the Debt Service Funds were \$124,935.

Capital Projects Funds

There is one nonmajor Capital Projects Fund incorporated into the financial statements of the District, the 2000 Construction Fund, which had total revenues of \$202 and total expenditures of \$0, leaving a fund balance of \$1,852.

Fiduciary Funds

The Student Activities Fund and the Scholarship Fund are operated as Trust and Agency Funds of the District. The assets of these funds are being held for the benefit of District students. Balances on hand at June 30, 2006 totaled \$268,638.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget twice. These budget amendments fall into two categories:

- Changes made in the fall to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year and other grant related revenue changes.
- Although the District's final budget for the General Fund anticipated that expenditures would exceed revenue by \$3,064, the actual results for the year show a \$787,980 surplus, the majority represented by the payment of deferred donations to the Jimmy Gerken Plaza totaling \$146,042 and building and department budgets carrying over \$217,236. The deferred revenue still outstanding on the Jimmy Gerken Plaza totals \$122,822.

Capital Asset and Debt Administration

Capital Assets

By the end of 2006, the District had capital assets totaling \$67 million in a broad range of capital assets, including land, school buildings, athletic facilities, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.)

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

In fiscal year 2006 the District spent \$133,657 for capital projects principally in the areas of:

- Renovations to tennis courts at Wealthy Elementary school
- File servers and other new technology

At June 30, 2006, the District's investment in capital assets (net of accumulated depreciation) was \$46,954,952. Accumulated depreciation increased \$1,812,809, leaving a net reduction in the book value of capital assets of \$1,679,152, which are detailed as follows:

Land	\$ 450,000
Land improvements	2,121,761
Buildings and additions	44,024,094
Furniture and equipment	159,770
Vehicles	<u>199,327</u>
Net Capital Assets	<u><u>\$ 46,954,952</u></u>

Long-Term Debt

At year end, the District had \$73.7 million in general obligation bonds and other long-term debt outstanding – a net increase of \$17,795,741 from June 30, 2005. The District issued \$18,900,000 in capital improvement bonds in 2006 to finance building renovations and equipment purchases.

The District bond rating for general obligation debt remains at "A3". The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a District's boundaries. The District's other obligations include borrowings from school bond loan fund, capital leases, and early retirement incentive. We present more detailed information about our long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The health of the State of Michigan economy remains a major concern for the District, potentially resulting in little or no funding increases in the immediate future.
- The end of fiscal year 2006 marked the expiration of a one-year certified contract and a three-year non-certified contract. A new labor agreement has been negotiated for both groups which will expire June 30, 2008.
- In the winter of 2004 Kent County passed a 1 mill increase county-wide for Special Education programs. In June 2004 the voters of East Grand Rapids approved a 1.4 mill recreation increase. These increases will help the District maintain excellent academic programs in 2006-07.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

- The start up of the West Michigan Health Insurance Pool gives the District reason for optimism related to Health Insurance cost increases.
- The implementation of the district energy conservation program in partnership with Energy Education Inc. will allow the District to control its energy costs in an environment of rapidly increasing prices for energy.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, East Grand Rapids Public Schools, 2915 Hall Street, East Grand Rapids, MI 49506.

BASIC FINANCIAL STATEMENTS

EAST GRAND RAPIDS PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 23,867,330
Taxes receivable (Note C)	70,893
Accounts receivable	218,744
Due from other governmental units (Note C)	4,462,900
Inventory (Note A)	127,064
Prepaid expenses	426,880
Total Current Assets	<u>29,173,811</u>
Noncurrent Assets	
Capital assets (Note E)	67,005,717
Less accumulated depreciation	<u>(20,050,765)</u>
Total Noncurrent Assets	<u>46,954,952</u>
Total Assets	<u>76,128,763</u>
Liabilities	
Current Liabilities	
Accounts payable	207,934
State aid anticipation loan payable (Note F)	2,600,000
Due to other governmental units	405,578
Accrued interest payable	583,734
Salaries payable	1,190,686
Deferred revenue (Note G)	6,337
Unamortized bond premium	149,142
Current portion of long term obligations	2,624,713
Total Current Liabilities	<u>7,768,124</u>
Noncurrent Liabilities (Note A, H)	
General obligation bonds payable	68,695,000
State school bond loan payable	4,617,295
Capital leases payable	4,768
Early retirement incentive	364,945
Current portion of long term obligations	<u>(2,624,713)</u>
Total Noncurrent Liabilities	<u>71,057,295</u>
Total Liabilities	<u>78,825,419</u>
Net Assets	
Invested in capital assets, net of related debt	(7,065,570)
Restricted for:	
Debt service	(372,030)
Capital projects	1,054,414
Unrestricted	3,686,530
Total Net Assets	<u><u>\$ (2,696,656)</u></u>

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 16,788,341	\$ 63,135	\$ 2,216,044	\$(14,509,162)
Supporting services	9,928,865	366,162	27,034	(9,535,669)
Community services	396,213	369,843	-	(26,370)
Food service	864,814	753,855	145,350	34,391
Athletics	963,170	422,366	-	(540,804)
Other	30,098	-	-	(30,098)
Interest on long-term debt	2,686,764	-	-	(2,686,764)
Total Governmental Activities	\$ 31,658,265	\$ 1,975,361	\$ 2,388,428	(27,294,476)
General Revenues				
Taxes:				
Property taxes, levied for general operations				1,469,075
Property taxes, levied for debt service				3,881,648
Property taxes, levied for capital improvements				218,666
State school aid, unrestricted				21,385,814
Interest and investment earnings				222,623
Other				223,781
Total General Revenues				27,401,607
Change in Net Assets				107,131
Net Assets - Beginning of Year				(2,803,787)
Net Assets - End of Year				\$ (2,696,656)

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2006

	<u>General</u>	<u>Building and Site</u>	<u>2006 Construction</u>
Assets			
Cash equivalents, deposits and investments (Note B)	\$ 3,423,362	\$ 1,051,329	\$19,046,407
Receivables:			
Taxes (Note C)	48,267	1,233	-
Accounts	203,269	-	-
Due from other funds (Note D)	153,362	-	-
Due from other governmental units (Note C)	4,443,561	-	-
Inventory (Note A)	115,073	-	-
Prepaid expenditures	5,473	-	-
Total Assets	<u><u>\$ 8,392,367</u></u>	<u><u>\$ 1,052,562</u></u>	<u><u>\$19,046,407</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 185,342	\$ -	\$ -
State aid anticipation loan payable (Note F)	2,600,000	-	-
Due to other funds (Note D)	10,241	-	22,100
Due to other governmental units	402,221	-	-
Accrued interest payable	65,375	-	-
Salaries payable	1,180,031	-	-
Deferred revenue (Note G)	179,990	1,233	-
Total Liabilities	<u><u>4,623,200</u></u>	<u><u>1,233</u></u>	<u><u>22,100</u></u>
Fund Balances			
Reserved for:			
Debt service	-	-	-
Capital outlay	-	1,051,329	19,024,307
Inventory	109,628	-	-
Encumbrances	50,959	-	-
Unreserved:			
Undesignated, reported in:			
General fund	3,608,580	-	-
Special revenue funds	-	-	-
Total Fund Balances	<u><u>3,769,167</u></u>	<u><u>1,051,329</u></u>	<u><u>19,024,307</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 8,392,367</u></u>	<u><u>\$ 1,052,562</u></u>	<u><u>\$19,046,407</u></u>

See accompanying notes to basic financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 346,232	\$23,867,330
21,393	70,893
15,000	218,269
10,241	163,603
19,339	4,462,900
11,991	127,064
30	5,503
<u>\$ 424,226</u>	<u>\$28,915,562</u>

\$ 22,592	\$ 207,934
-	2,600,000
130,787	163,128
3,357	405,578
-	65,375
10,655	1,190,686
21,393	202,616
<u>188,784</u>	<u>4,835,317</u>

124,935	124,935
1,852	20,077,488
-	109,628
-	50,959
-	3,608,580
108,655	108,655
<u>235,442</u>	<u>24,080,245</u>
<u>\$ 424,226</u>	<u>\$28,915,562</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006

Total governmental fund balances		\$ 24,080,245
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$67,005,717 and accumulated depreciation is \$20,050,765.		46,954,952
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.		272,235
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(68,695,000)	
State school bond loan payable	(4,617,295)	
Capital leases	(4,768)	
Early retirement incentive	<u>(364,945)</u>	(73,682,008)
Accrued interest is not included as a liability in governmental funds.		(518,359)
Deferred revenue recognized as revenue in the full accrual statements:		
Donations	125,386	
Property taxes	<u>70,893</u>	<u>196,279</u>
Total net assets - governmental activities		<u><u>(2,696,656)</u></u>

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2006

	General	Building and Site	2006 Construction
Revenues			
Local sources	\$ 2,720,731	\$ 268,038	\$ -
State sources	21,509,171	-	-
Federal sources	571,860	-	-
Interdistrict sources	1,547,861	-	-
Total Revenues	<u>26,349,623</u>	<u>268,038</u>	<u>-</u>
Expenditures			
Current:			
Instruction	14,956,996	-	-
Supporting services	9,128,164	-	-
Community services	333,280	-	-
Food service	-	-	-
Athletics	-	-	-
Capital outlay	60,502	183,886	194,126
Debt service:			
Principal repayment	-	-	-
Interest and fiscal charges	-	-	-
Interdistrict	616,735	-	-
Total Expenditures	<u>25,095,677</u>	<u>183,886</u>	<u>194,126</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,253,946</u>	<u>84,152</u>	<u>(194,126)</u>
Other Financing Sources (Uses)			
Bonds issued	-	-	18,900,000
Bond premium	-	-	318,433
Loan proceeds	-	-	-
Transfers in	-	-	-
Transfers out	(465,966)	-	-
Total Other Financing Sources (Uses)	<u>(465,966)</u>	<u>-</u>	<u>19,218,433</u>
Net Change in Fund Balances	787,980	84,152	19,024,307
Fund Balances, Beginning of Year	<u>2,981,187</u>	<u>967,177</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 3,769,167</u></u>	<u><u>\$ 1,051,329</u></u>	<u><u>\$ 19,024,307</u></u>

See accompanying notes to basic financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 5,133,028	\$ 8,121,797
35,775	21,544,946
109,575	681,435
-	1,547,861
<u>5,278,378</u>	<u>31,896,039</u>
-	14,956,996
-	9,128,164
-	333,280
855,770	855,770
864,172	864,172
-	438,514
1,835,000	1,835,000
2,396,074	2,396,074
-	616,735
<u>5,951,016</u>	<u>31,424,705</u>
<u>(672,638)</u>	<u>471,334</u>
-	18,900,000
-	318,433
321,456	321,456
465,966	465,966
-	(465,966)
<u>787,422</u>	<u>19,539,889</u>
114,784	20,011,223
<u>120,658</u>	<u>4,069,022</u>
<u>\$ 235,442</u>	<u>\$24,080,245</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2006

Net change in fund balances - total governmental funds \$20,011,223

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 133,657	
Depreciation expense	<u>(1,812,809)</u>	(1,679,152)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. 2,400

As some private source donations were not collected within the "revenue recognition period", they are not considered "available" revenues in the governmental funds, and are instead counted as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. (133,042)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. (179,240)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (19,392,830)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

Repayment of bonds	1,835,000	
Repayment of capital leases	<u>17,688</u>	1,852,688

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities however, interest expense is recognized as the interest accrues regardless of when it is paid. (119,317)

In the Statement of Net Assets, early retirement incentive is measured by the amount earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned (\$364,945) exceeded the amounts paid/used (\$109,346). (255,599)

Total changes in net assets - governmental activities \$107,131

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 2,306,197	\$ 2,393,371	\$ 2,720,732	\$ 327,361
State sources	21,595,280	21,505,981	21,509,171	3,190
Federal sources	577,280	634,113	571,860	(62,253)
Interdistrict sources	1,448,692	1,534,019	1,547,860	13,841
Total Revenues	<u>25,927,449</u>	<u>26,067,484</u>	<u>26,349,623</u>	<u>282,139</u>
Expenditures				
Current:				
Instruction:				
Basic programs	13,391,653	13,341,138	13,197,995	143,143
Added needs	2,048,630	1,942,984	1,759,001	183,983
Supporting services:				
Pupil services	1,036,741	1,123,124	1,125,591	(2,467)
Instructional staff services	1,514,317	1,672,827	1,480,032	192,795
General administrative services	574,378	731,668	651,483	80,185
School administrative services	1,633,505	1,793,410	1,746,597	46,813
Business services	696,930	565,948	599,616	(33,668)
Operation and maintenance services	2,986,148	3,093,825	3,102,637	(8,812)
Pupil transportation services	124,095	136,457	185,334	(48,877)
Central services	221,052	261,074	236,874	24,200
Community services	289,962	300,139	333,280	(33,141)
Capital outlay	-	53,000	60,502	(7,502)
Interdistrict	520,457	581,350	616,735	(35,385)
Total Expenditures	<u>25,037,868</u>	<u>25,596,944</u>	<u>25,095,677</u>	<u>501,267</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>889,581</u>	<u>470,540</u>	<u>1,253,946</u>	<u>783,406</u>
Other Financing Sources (Uses)				
Transfers out	(779,114)	(467,457)	(465,966)	1,491
Net Change in Fund Balances	<u>110,467</u>	<u>3,083</u>	<u>787,980</u>	<u>784,897</u>
Fund Balances, July 1	<u>2,981,187</u>	<u>2,981,187</u>	<u>2,981,187</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 3,091,654</u>	<u>\$ 2,984,270</u>	<u>\$ 3,769,167</u>	<u>\$ 784,897</u>

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2006

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash equivalents, deposits and investments (Note B)	\$ 4,295	\$ 264,192
Accounts receivable	-	151
Total Assets	<u>\$ 4,295</u>	<u>\$ 264,343</u>
Liabilities		
Due to other funds (Note D)	\$ 475	\$ 9,000
Due to student groups	-	255,343
Total Liabilities	<u>475</u>	<u>\$ 264,343</u>
Net Assets		
Held in trust for:		
Individuals and organizations	<u>\$ 3,820</u>	

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2006

	Private Purpose Trust Fund
	<hr/>
Additions	
Interest earned	\$ -
	<hr/>
Deductions	
Endowment activities:	
Scholarships	-
	<hr/>
Change In Net Assets	-
	<hr/>
Net Assets, Beginning of Year	3,820
	<hr/>
Net Assets, End of Year	\$ 3,820
	<hr/> <hr/>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Note A – Summary of Significant Accounting Policies

East Grand Rapids Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 2,993 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of East Grand Rapids Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the Building and Site and 2006 Construction Capital Projects Funds are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code. For capital project activities funded with sinking fund millage, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains a scholarship fund for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. East Grand Rapids Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

East Grand Rapids Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Assistant Superintendent for Business to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of custodial and maintenance supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive

Early retirement incentive has been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. At June 30, 2006, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive amounted to \$364,945.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal obligation repurchase agreements.
- Banker's acceptances of United States Banks.
- Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- Surplus funds investment pools.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Balances at June 30, 2006 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 23,867,330
Fiduciary Funds:	
Trust and Agency Funds	<u>268,487</u>
	<u>\$ 24,135,817</u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Fifth Third Bank
2. Founders Trust Bank

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2006 balances are detailed as follows:

Cash equivalents	<u>\$ 23,969,287</u>
------------------	----------------------

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$23,969,287 and the bank balance was \$24,848,101. Of the bank balance, \$200,000 was covered by federal depository insurance and \$24,648,101 was uninsured.

Investments

As of June 30, 2006 the District had the following investments:

	<u>Fair Value</u>
Investment Pool Accounts:	
Michigan Liquid Asset Fund Plus	<u>\$ 166,530</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

Credit Risk

The District's investments in the Michigan Liquid Asset Fund investment pool were unrated.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2005 ad valorem State Education Taxes generated within the East Grand Rapids Public School District, and paid to the State of Michigan, totaled \$2,924,159.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2005 and September, 2005. The 2005-06 "Foundation Allowance" for East Grand Rapids Public Schools was \$7,476 for 2,972 "Full Time Equivalent" students, generating \$21,508,707 in state aid payments to the District of which \$3,908,427 was paid to the District in July and August, 2006 and is included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund at June 30, 2006.

Property taxes for the District are levied July 1 and December 1 under a split-levy system by the City of East Grand Rapids and the Charter Township of Grand Rapids. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Year	General	Debt Service	Building & Site	Total
2005	\$ 15,962	\$ 7,271	\$ 388	\$ 23,621
2004	17,445	7,373	431	25,249
2003	14,860	6,749	414	22,023
	<u>\$ 48,267</u>	<u>\$ 21,393</u>	<u>\$ 1,233</u>	<u>\$ 70,893</u>

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Section 1211(1) of 1993 PA 32 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

District electors previously (June, 1995) approved a ten year operating millage extension for the 18 mill non-homestead property tax. Only 17.1173 mills were levied in 2005 due to reductions caused by the Headlee Amendment.

The District levied a 1.3837 recreation millage, 7.95 mills for debt service purposes and .4480 mills for building and site in 2005, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds representing interfund receivables and payables at June 30, 2006 are detailed as follows:

	Due From	Due To
General Fund		
Athletics Fund	\$ —	\$ 10,241
Food Service Fund	130,787	—
2006 Construction Fund	22,100	—
Attie Spaans Scholarship Fund	475	—
	<hr/>	<hr/>
Total General Fund	153,362	10,241
Special Revenue Funds		
Athletics Fund:		
General Fund	10,241	—
Food Service Fund:		
General Fund	—	130,787
	<hr/>	<hr/>
Total Special Revenue Funds	10,241	130,787

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

	<u>Due From</u>	<u>Due To</u>
Capital Projects Funds		
2006 Construction Fund:		
General Fund	\$ —	\$ 22,100
Trust and Agency Funds		
Attie Spans Scholarship Fund:		
General Fund	—	475
Total All Funds	<u>\$ 163,603</u>	<u>\$ 163,603</u>

The balances represent reimbursements for expenditures incurred in 2005-06 and not paid until subsequent to the end of the fiscal year.

Transfers between funds during the year ended June 30, 2006 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue Fund:		
Athletics Fund	\$ —	\$ 465,966
Special Revenue Fund:		
Athletics Fund:		
General Fund	465,966	—
Total All Funds	<u>\$ 465,966</u>	<u>\$ 465,966</u>

The General Fund transfer to the Athletics Fund was made to pay the General Fund's share of support for the athletic program for the fiscal year.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balances July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2006</u>
Capital assets not depreciated:				
Land	\$ 450,000	\$ —	\$ —	\$ 450,000
Capital assets being depreciated:				
Land improvements	6,166,879	—	—	6,166,879
Buildings and additions	58,182,941	54,990	—	58,237,931
Furniture and equipment	1,622,673	39,702	—	1,662,375
Vehicles	449,567	38,965	—	488,532
Totals at historical cost	<u>66,872,060</u>	<u>\$ 133,657</u>	<u>\$ —</u>	<u>67,005,717</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

	Balances July 1, 2005	Additions	Deductions	Balances June 30, 2006
Less accumulated depreciation for:				
Land improvements	\$ 3,736,773	\$ 308,345	\$ —	\$ 4,045,118
Buildings and additions	12,964,473	1,249,364	—	14,213,837
Furniture and equipment	1,303,377	199,228	—	1,502,605
Vehicles	233,333	55,872	—	289,205
	<u>18,237,956</u>	<u>\$1,812,809</u>	<u>\$ —</u>	<u>20,050,765</u>
Total accumulated depreciation	<u>18,237,956</u>	<u>\$1,812,809</u>	<u>\$ —</u>	<u>20,050,765</u>
Net Capital Assets	<u>\$ 48,634,104</u>			<u>\$ 46,954,952</u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,470,223
Supporting services	171,612
Community services	62,933
Food service	9,044
Athletics	98,998
	<u>\$ 1,812,809</u>

Note F – Short-term Debt

The \$2,900,000 August 20, 2004 state aid anticipation loan was repaid on August 20, 2005. On August 19, 2005, the District borrowed \$2,600,000 in anticipation of state aid (interest at 2.92%), due in full on August 18, 2006. Total interest expense on the loans was \$71,486 for the fiscal year.

Note G – Deferred Revenue

General Fund deferred revenue includes \$125,386 of private donations receivable at June 30, 2006, but not yet received as of the audit report date.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Note H – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2006 are summarized as follows:

	Bond Issues	State School Bond Loan	Capital Leases	Early Retirement Incentive	Total
Amounts Available For Retirement Of Long-Term Debt					
Debt Service Funds	\$ 124,935	\$ —	\$ —	\$ —	\$ 124,935
Amounts To Be Provided For Retirement Of Long-Term Debt					
General Fund	—	—	4,768	364,945	369,713
Debt Service Funds	68,570,065	4,617,295	—	—	73,187,360
Total Amounts Available And To Be Provided	\$ 68,695,000	\$ 4,617,295	\$ 4,768	\$ 364,945	\$73,682,008

Changes in long-term debt for the year ended June 30, 2006 are summarized as follows:

	Debt Outstanding July 1, 2005	Debt Added	Debt Retired	Debt Outstanding June 30, 2006
General obligation bonds:				
February 1, 2000	\$ 2,300,000	\$ —	\$ 575,000	\$ 1,725,000
July 3, 2001	24,205,000	—	65,000	24,140,000
September 30, 2004	25,125,000	—	1,195,000	23,930,000
June 18, 2006	—	18,900,000	—	18,900,000
State school bond loan	4,124,465	492,830	—	4,617,295
Capital leases	22,456	—	17,688	4,768
Early retirement incentive	109,346	364,945	109,346	364,945
	\$ 55,886,267	\$ 19,757,775	\$ 1,926,034	\$ 73,682,008

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Long-term bonds, notes and capital leases outstanding at June 30, 2006 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$27,515M Building and Site February 1, 2000:				
Annual maturities of \$575M	May 1, 2009	5.50	\$ 1,725,000	\$ 575,000
\$24,655M Refunding July 3, 2001:				
Annual maturities of \$70M to \$1,705M	May 1, 2029	4.00 - 5.50	24,140,000	70,000
\$25,125M Refunding September 30, 2004:				
Annual maturities of \$1,260M to \$2,175M	May 1, 2020	2.50 - 5.25	23,930,000	1,260,000
\$18,900M Building and Site June 18, 2006:				
Annual maturities of \$1,260M to \$2,175M	May 1, 2031	4.00 - 5.00	18,900,000	350,000
Capital Leases				
\$68,840 Copier September, 2001:				
Monthly installments of \$1,164	August, 2007	N/A	2,328	2,328
\$9,600 Copier November, 2001:				
Monthly installments of \$160	October, 2006	N/A	640	640
\$9,000 Copier July, 2002:				
Monthly installments of \$150	June, 2007	N/A	1,800	1,800
			<u>\$68,699,768</u>	<u>\$ 2,259,768</u>

The District is required to obtain loans from the Michigan School Bond Loan Fund (the "Fund") for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, the District borrowed \$321,456 from the Fund and \$171,374 of accrued interest was added to the District's liability to the Fund. At June 30, 2006, the District owed the Fund a total of \$4,617,295.

The annual requirements to pay principal and interest on long-term bonds, notes and capital leases outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2007	\$ 2,259,768	\$ 3,110,149	\$ 5,369,917
2008	2,370,000	3,133,936	5,503,936
2009	2,445,000	3,043,673	5,488,673
2010	2,550,000	2,947,561	5,497,561
2011	2,655,000	2,852,999	5,507,999
2012	2,740,000	2,751,699	5,491,699
2013	2,850,000	2,645,786	5,495,786
2014	2,970,000	2,526,454	5,496,454
2015	3,125,000	2,369,868	5,494,868
2016	3,265,000	2,234,669	5,499,669

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Year Ended June 30	Principal	Interest	Total
2017	\$ 3,430,000	\$ 2,070,757	\$ 5,500,757
2018	3,600,000	1,894,907	5,494,907
2019	3,805,000	1,710,281	5,515,281
2020	4,000,000	1,517,468	5,517,468
2021	2,325,000	1,320,093	3,645,093
2022	2,390,000	1,205,718	3,595,718
2023	2,505,000	1,088,219	3,593,219
2024	2,615,000	965,218	3,580,218
2025	2,725,000	836,906	3,561,906
2026	2,785,000	703,339	3,488,339
2027	2,845,000	564,832	3,409,832
2028	2,930,000	423,432	3,353,432
2029	2,940,000	277,862	3,217,862
2030	1,275,000	128,750	1,403,750
2031	1,300,000	65,000	1,365,000
	<u>\$68,699,768</u>	<u>\$42,389,576</u>	<u>\$111,089,344</u>

On July 3, 2001, the District issued \$24,655,000 in general obligation bonds to advance refund \$22,925,000 of outstanding 2000 serial bonds. The net proceeds of were deposited with Fifth Third Bank and used to purchase United States Treasury securities. Under the terms of this agreement, these securities, together with interest earned to maturity, will be sufficient to pay all principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds cannot be commingled with other funds and cannot be redeemed. Any excess funds will be returned to the District upon final payment of principal and interest (scheduled to be May 1, 2009). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done for the fiscal year ended June 30, 2006. The assets held by Fifth Third Bank to be used for the remaining principal and interest of \$26,957,450 on the defeased debt at June 30, 2006 are detailed in the following schedule:

	Cost	Market Value	Par Value
United States Treasury Securities	<u>\$28,367,703</u>	<u>\$23,906,405</u>	<u>\$28,928,000</u>

Note I – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2006 was \$14,939,811. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPSERS plan. The contribution rate was 14.87% for the fiscal year ending September 30, 2005 and 16.34% for the fiscal year beginning October 1, 2005. The District's contributions to the plan for the fiscal years ended June 30, 2006, 2005 and 2004 were \$2,409,625, \$2,094,172 and \$1,855,220, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPSERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2004 (the latest reporting date available expressed as \$ in millions) for the MPSERS as a whole, determined through an actuarial valuation performed as of that date, was \$46,317. The MPSERS' net assets available for benefits on that date were \$38,784 leaving an unfunded pension benefit obligation of \$7,533. Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2005 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

The total actuarial accrued liability (expressed as \$ in millions) increased by \$1,548 from September 30, 2003 to September 30, 2004. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for members of the Basic Retirement Plan and 3 years for members of the MIP Retirement Plan.

Post-employment benefits for health, dental and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Note J – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$865,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$79,162 in premiums to the Trust for the year ended June 30, 2006.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$300,000 of any workers' compensation or employers' liability loss out of a \$1,833,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2006, there were no material pending claims against the District. The District paid \$78,192 in premiums to the Fund for the year ended June 30, 2006.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note K – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2006, as follows:

	Budget	Actual	Unfavorable Variance
Special Revenue Funds			
Food Service	\$ 808,896	\$ 855,770	\$ 46,874
Athletics	793,739	864,172	70,433

Note L – Commitments

On June 18, 2006, the District issued \$18,900,000 of general obligation building and site bonds whose proceeds are being used for building renovations and additions and furniture and equipment purchases. At June 30, 2006, unspent balances committed to this construction project totaled approximately \$19,025,000, which are expected to be fully expended by the year ended June 30, 2008.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 3,423,362	\$ 3,176,481
Receivables:		
Taxes	48,267	46,685
Accounts	203,269	320,839
Due from other funds	153,362	5,643
Due from other governmental units	4,443,561	4,240,877
Inventory	115,073	124,685
Prepaid expenditures	5,473	46,538
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 8,392,367</u></u>	<u><u>\$ 7,961,748</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 185,342	\$ 233,161
State aid anticipation loan payable	2,600,000	2,900,000
Due to other funds	10,241	51,043
Due to other governmental units	402,221	299,291
Payroll withholdings payable	-	1,606
Accrued interest payable	65,375	39,293
Salaries payable	1,180,031	1,137,570
Deferred revenue	179,990	318,597
	<u> </u>	<u> </u>
Total Liabilities	<u>4,623,200</u>	<u>4,980,561</u>
 Fund Balances		
Reserved for:		
Inventory	109,628	124,685
Encumbrances	50,959	-
Unreserved:		
Undesignated	3,608,580	2,798,750
	<u> </u>	<u> </u>
Total Fund Balances	<u>3,769,167</u>	<u>2,923,435</u>
	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u><u>\$ 8,392,367</u></u>	<u><u>\$ 7,903,996</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2006 and 2005

	2006	2005
Local sources:		
Property taxes:		
Operating	\$ 776,871	\$ 723,924
Recreation	673,141	646,924
Delinquent property taxes	101	968
Other property taxes	9,306	-
Interest on delinquent taxes	6,373	4,766
In lieu of taxes	1,701	1,712
	<u>1,467,493</u>	<u>1,378,294</u>
Interest earnings:		
Interest on deposits and investments	97,274	38,212
Other local revenue:		
Preschool fees	64,205	54,110
Beverage consortium commissions	64,110	59,107
Bookstore	3,893	4,569
Child care fees	377,193	340,288
Joint facilities rental	208,313	213,446
Rental of school facilities	73,192	70,459
Donations	205,088	266,149
Field trip/copier reimbursement	152,640	-
Sale of school property	250	1,130
Refunds of expenditures	6,515	11,663
Miscellaneous	566	242
	<u>1,155,965</u>	<u>1,021,163</u>
Total local sources	2,720,732	2,437,669
State sources:		
State aid	21,472,917	20,468,001
School improvement	1,958	1,958
FICA/retirement reimbursement	34,296	34,296
Total state sources	<u>21,509,171</u>	<u>20,504,255</u>
Federal sources:		
Title I	81,911	104,680
Title IIA	53,214	35,757
Title IID	9	2,076
Title V	476	1,544
I.D.E.A. program	423,150	439,033
Medicaid - school based	2,011	46
Drug free schools	6,143	7,307
SPSR grant	4,130	-
Literacy grant	816	-
Total federal sources	<u>571,860</u>	<u>590,443</u>
Interdistrict sources:		
Special education - county	1,361,996	1,201,220
Special education - tuition	79,984	109,239
Special education - transportation	27,034	251,926
Special education - shared costs	8,515	10,946
Special education - Durant reimbursements	8,899	-
Medicaid fee for service	61,432	601
Career preparation	-	16,947
Total interdistrict sources	<u>1,547,860</u>	<u>1,590,879</u>
Total Revenues	<u><u>\$ 26,349,623</u></u>	<u><u>\$ 25,123,246</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries:		
Teachers	3,951,852	3,742,004
Teaching assistants	105,333	94,646
Substitutes	80,172	82,379
Early retirement incentive	26,089	135,752
Employee benefits:		
Employee insurance	827,077	697,982
Tuition reimbursement	-	2,963
Retirement	666,483	574,146
Social Security	312,939	297,445
Unemployment compensation	4,825	6,578
Cash in lieu of benefits	6,973	7,985
Local travel	362	501
Printing and binding	35,207	23,580
Teaching supplies	89,669	90,848
Textbooks	34,551	34,064
Miscellaneous supplies	215	429
New equipment and furniture	3,822	6,400
Miscellaneous	9,594	7,952
	6,155,163	5,805,654
Middle school:		
Salaries:		
Teachers	1,840,263	1,810,695
Teaching assistants	1,923	1,114
Substitutes	60,599	31,689
Other	4,509	4,292
Early retirement incentive	27,800	-
Employee benefits:		
Employee insurance	335,141	305,567
Tuition reimbursement	-	828
Retirement	308,534	270,696
Social Security	145,902	141,788
Unemployment compensation	3,789	5,723
Cash in lieu of benefits	7,983	10,000
Local travel	170	245
Workshops and conferences	-	3,354
Printing and binding	31,052	25,165
Tuition	3,695	2,075
Teaching supplies	34,737	38,242
Textbooks	5,080	125,173
Resale supplies	3,624	4,654
New equipment and furniture	1,663	468
Dues and fees	2,227	2,265
Miscellaneous	648	700
	2,819,339	2,784,733

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
High school:		
Salaries:		
Teachers	2,698,112	2,531,315
Teaching assistants	3,847	3,479
Substitutes	-	54,934
Early retirement incentive	40,346	33,720
Employee benefits:		
Employee insurance	570,189	471,201
Retirement	442,053	378,482
Social Security	207,227	196,770
Unemployment compensation	-	123
Cash in lieu of benefits	2,455	6,310
Local travel	1,337	1,326
Workshops and conferences	14,617	18,111
Printing and binding	42,443	33,012
Tuition - dual enrollment	26,236	27,883
Teaching supplies	45,188	41,724
Textbooks	32,088	34,215
New equipment and furniture	13,279	9,666
Dues and fees	2,579	2,712
Miscellaneous	18,710	18,613
	4,160,706	3,863,596
Preschool:		
Salaries:		
Teachers	25,511	20,075
Teaching assistants	10,968	5,643
Substitutes	488	3,792
Employee benefits:		
Employee insurance	12,923	11,676
Retirement	5,980	4,324
Social Security	2,826	2,258
Workshops and conferences	109	-
Printing and binding	284	-
Teaching supplies	1,474	1,374
Miscellaneous supplies	344	759
New furniture and equipment	248	604
Miscellaneous	1,632	274
	62,787	50,779
Total basic programs	13,197,995	12,504,762
Added needs:		
Special education:		
Salaries:		
Teachers	800,625	855,617
Teaching assistants	250,227	285,138
Substitutes	28,091	38,519
Early retirement incentive	55,457	35,991
Employee benefits:		
Employee insurance	255,545	243,098
Tuition reimbursement	2,109	1,709
Retirement	173,569	171,659

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Special education: (Continued)		
Employee benefits: (Continued)		
Social Security	\$ 80,406	\$ 91,464
Workers' compensation	-	489
Unemployment compensation	3,621	3,387
Cash in lieu of benefits	2,386	3,083
Local travel	373	-
Workshops and conferences	205	865
Teaching supplies	16,603	12,352
New equipment and furniture	8,817	15,347
Miscellaneous	4,954	5,356
	1,682,988	1,764,074
Compensatory education:		
Salaries:		
Teachers	52,516	71,876
Other	232	188
Employee benefits:		
Employee insurance	6,161	5,668
Retirement	8,410	10,319
Social Security	4,034	5,555
Cash in lieu of benefits	432	600
Teaching supplies	4,228	4,643
	76,013	98,849
Total added needs	1,759,001	1,862,923
Supporting services:		
Pupil services:		
Guidance services:		
Counselors salaries	431,800	414,354
Employee benefits:		
Employee insurance	88,354	72,372
Retirement	69,682	60,599
Social Security	31,890	30,815
Placement and follow-up	5,170	2,493
	626,896	580,633
Occupational therapist services:		
Occupational therapists salaries	495	-
Employee benefits:		
Employee insurance	508	516
Retirement	74	-
Social Security	38	-
Local travel	217	267
Workshops and conferences	150	150
Placement and follow-up	334	378
	1,816	1,311
Psychological services:		
Salaries:		
Psychologists salaries	49,331	46,606
Early retirement incentive	-	36,166

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Psychological services: (Continued)		
Employee benefits:		
Employee insurance	\$ 18,529	\$ 18,192
Retirement	7,903	6,751
Social Security	3,718	3,526
Professional services	50,882	47,050
Local travel	144	136
Supplies	53	443
	<u>130,560</u>	<u>158,870</u>
Speech pathology services:		
Speech pathologists salaries	52,510	50,062
Employee benefits:		
Employee insurance	14,344	14,207
Retirement	8,426	7,286
Social Security	3,976	3,810
Workers' compensation	-	80
Pupil services	6,800	-
Local travel	55	24
Supplies	948	972
	<u>87,059</u>	<u>76,441</u>
Social worker services:		
Social workers salaries	27,802	-
Employee benefits:		
Employee insurance	33,989	15,075
Retirement	4,496	-
Social Security	2,127	-
Unemployment compensation	-	4,261
Local travel	46	61
Workshops and conferences	-	53
Supplies	603	1,331
	<u>69,063</u>	<u>20,781</u>
Teacher consultant services:		
Teacher consultants salaries	85,325	82,679
Employee benefits:		
Employee insurance	11,565	10,644
Retirement	13,797	12,116
Social Security	6,493	6,297
Local travel	80	117
Supplies	843	367
	<u>118,103</u>	<u>112,220</u>
Other pupil services:		
Salaries:		
Noon hour supervisors	10,222	5,142
Occupational therapist	64,788	62,933
Employee benefits:		
Retirement	11,330	10,104
Social Security	5,754	5,242
	<u>92,094</u>	<u>83,421</u>
Total pupil services	1,125,591	1,033,677

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Instructional staff services:		
Curriculum/improvement of instruction:		
Salaries:		
Coordinator	\$ 110,873	\$ 64,714
Professionals	-	12,062
Clerical	93,353	88,739
Other	41,192	37,236
Early retirement incentive	-	51,741
Employee benefits:		
Employee insurance	27,494	21,451
Retirement	38,476	27,120
Social Security	17,342	17,654
Cash in lieu of benefits	5,523	2,790
Workshops and conferences	60,233	88,850
Teaching supplies	4,053	25,549
New furniture and equipment	7,379	10,831
Dues and fees	509	826
Miscellaneous	59,046	41,651
	465,473	491,214
Library:		
Salaries:		
Librarians	91,613	63,441
Assistants	175,702	171,670
Employee benefits:		
Employee insurance	79,620	57,695
Retirement	43,210	34,537
Social Security	19,534	16,978
Unemployment compensation	-	4,608
Other rentals	3,122	4,111
Library books	2,143	2,004
Supplies	22,871	25,204
	437,815	380,248
Technology department:		
Salaries:		
Director	95,122	83,512
Clerical	11,781	10,731
Other	4,056	1,375
Employee benefits:		
Employee insurance	19,570	28,912
Retirement	17,553	13,710
Social Security	8,668	7,458
Cash in lieu of benefits	2,375	1,810
Professional services	23,888	1,912
Workshops and conferences	20,535	20,161
New furniture and equipment	53,717	14,207
Dues and fees	55,324	37,810
	312,589	221,598
Supervision and direction of instructional staff:		
Salaries:		
Director	93,122	89,721
Clerical	19,835	19,896
Other	8,699	5,213

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Supervision and direction of instructional staff: (Continued)		
Employee benefits:		
Employee insurance	\$ 17,203	\$ 15,887
Tuition reimbursement	5,649	3,552
Retirement	19,376	16,466
Social Security	8,957	8,570
Cash in lieu of benefits	3,314	2,869
Workshops and conferences	4,165	2,088
Teaching supplies	318	1,467
Office supplies	230	870
	<u>180,868</u>	<u>166,599</u>
Performing arts center:		
Manager salary	54,155	52,976
Employee benefits:		
Employee insurance	5,437	5,432
Retirement	8,444	7,326
Social Security	4,027	3,830
Supplies	3,684	3,616
Miscellaneous	7,540	3,220
	<u>83,287</u>	<u>76,400</u>
Total instructional staff services	1,480,032	1,336,059
General administrative services:		
Board of education:		
Workers' compensation insurance	42,182	66,475
Census and pupil personnel	226	602
Legal services	66,430	48,223
Audit services	25,425	25,725
Election workers	8,853	9,086
Workshops and conferences	5,676	9,506
	<u>148,792</u>	<u>159,617</u>
Executive administration:		
Salaries:		
Superintendent	193,348	138,696
Clerical	97,276	95,995
Early retirement incentive	-	43,752
Employee benefits:		
Employee insurance	51,248	46,196
Board paid annuities	14,000	14,000
Retirement	40,097	34,692
Social Security	17,670	16,707
Cash in lieu of benefits	-	1,196
Workshops and conferences	14,087	11,717
Mailing and postage	12,259	6,473
Advertising	10,938	-
Printing and binding	18,083	3,438
Office supplies	8,035	7,770
New equipment and furniture	4,916	6,538

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Executive administration: (Continued)		
Dues and fees	\$ 1,275	\$ 1,395
Miscellaneous	19,459	16,252
	<u>502,691</u>	<u>444,817</u>
Total general administrative services	651,483	604,434
School administrative services:		
Office of the principal:		
Salaries:		
Principals	658,144	679,627
Clerical	443,412	434,035
Office aides	48,481	51,199
Employee benefits:		
Employee insurance	259,223	237,753
Retirement	186,531	167,494
Social Security	87,025	83,327
Cash in lieu of benefits	19,258	26,159
Workshops and conferences	2,427	2,492
Office supplies	31,520	34,222
Dues and fees	3,242	3,772
	<u>1,739,263</u>	<u>1,720,080</u>
Other school administration:		
Graduation expenses	7,334	8,065
Total school administrative services	<u>1,746,597</u>	<u>1,728,145</u>
Business services:		
Fiscal services:		
Salaries:		
Business manager	123,374	118,668
Accounting	150,601	143,644
Employee benefits:		
Employee insurance	54,709	49,116
Retirement	41,556	37,386
Social Security	22,063	18,534
Cash in lieu of benefits	8,455	7,651
Workshops and conferences	11,278	6,987
Dues and fees	608	725
	<u>412,644</u>	<u>382,711</u>
Print center:		
Print center salaries	22,190	20,443
Employee benefits:		
Employee insurance	250	540
Retirement	3,558	2,979
Social Security	2,025	1,847
Cash in lieu of benefits	4,419	3,826
Equipment rental	57,431	88,251
Supplies	7,136	16,779
Reimbursements for copier services	-	(67,137)
	<u>97,009</u>	<u>67,528</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Other business services:		
Employee insurance	\$ 130	\$ -
Contracted services	11,091	11,916
Equipment repair and maintenance	-	(768)
Interest expense	71,486	43,467
Property tax refunds	7,256	45,230
	<u>89,963</u>	<u>99,845</u>
Total business services	599,616	550,084
Operation and maintenance services:		
Operation and maintenance:		
Salaries:		
Director	61,290	59,171
Custodial	646,431	628,020
Maintenance	108,881	119,996
Employee benefits:		
Employee insurance	265,056	239,528
Retirement	130,136	115,172
Social Security	62,558	62,309
Unemployment compensation	19,904	23,351
Cash in lieu of benefits	625	525
Telephone	62,791	53,842
Water and sewer	43,536	38,371
Waste and trash disposal	33,301	31,897
Insurance	79,162	101,722
Land/building repair and maintenance	360,473	283,830
Equipment repair and maintenance	52,716	48,441
Vehicle repair and maintenance	396	4,391
Equipment rental	4,924	4,921
Vehicle rental	8,217	45,004
Purchased services - joint facilities	474,100	370,494
Heating	467,599	429,955
Electricity	8,780	6,836
Gasoline, oil and grease	5,272	18,742
Maintenance/custodial supplies	182,956	129,097
Improvements other than buildings	4,425	38,654
New equipment and furniture	14,753	57,030
Miscellaneous	-	162
	<u>3,098,282</u>	<u>2,911,461</u>
Security services:		
Aides salaries	3,516	680
Employee benefits:		
Retirement	570	465
Social Security	269	242
Police liaison services	-	3,047
	<u>4,355</u>	<u>4,434</u>
Total operation and maintenance services	3,102,637	2,915,895

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Pupil transportation services:		
Pupil transportation:		
Salaries:		
Supervisor	\$ 25,287	\$ 24,461
Drivers	59,187	53,350
Clerical	90	234
Employee benefits:		
Employee insurance	9,367	9,239
Other employee benefits	521	73
Retirement	13,366	10,101
Social Security	6,361	5,769
Contracted services	-	3,950
Telephone	3,092	3,188
Vehicle repair and maintenance	13,098	8,456
Vehicle rental	-	500
Gasoline, oil and grease	15,170	24,843
Reimbursements	-	(68,412)
School bus purchase	38,965	-
Miscellaneous	830	241
Total pupil transportation services	<u>185,334</u>	<u>75,993</u>
Central services:		
Planning and evaluation:		
Other salaries	263	75
Employee benefits:		
Retirement	37	11
Social Security	20	6
Workshops and conferences	5,529	7,048
Supplies	3,160	3,510
	<u>9,009</u>	<u>10,650</u>
Communication services:		
Other communication	15,960	8,540
Staff/personnel services:		
Physical exams	12,722	7,346
Workshops and conferences	5,744	4,388
	<u>18,466</u>	<u>11,734</u>
Management information services:		
Other salaries	131,050	112,942
Employee benefits:		
Employee insurance	20,573	5,723
Retirement	20,868	16,190
Social Security	9,973	8,603
Other professional services	9,712	5
Supplies	1,263	1,210
	<u>193,439</u>	<u>144,673</u>
Total central services	<u>236,874</u>	<u>175,597</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Community services:		
Non public school pupils:		
Workshops and conferences	\$ -	\$ 1,669
Community services director:		
Workshops and conferences	586	-
Before and after child care:		
Salaries:		
Supervisor	47,123	45,182
Clerical	20,412	18,649
Paraprofessionals	141,739	115,873
Employee benefits:		
Employee insurance	33,470	25,323
Retirement	32,492	25,778
Social Security	16,060	14,046
Cash in lieu of benefits	6,232	4,332
Workshops and conferences	-	85
Other supplies and materials	21,201	17,129
New equipment and furniture	1,227	1,604
Miscellaneous	12,738	8,433
	<u>332,694</u>	<u>276,434</u>
Total community services	333,280	276,434
Capital outlay:		
Site improvements	60,502	52,955
Debt service:		
Principal repayment	-	65,000
Interest and fiscal charges	-	1,966
	<u>-</u>	<u>66,966</u>
Interdistrict:		
Special education tuition	100,401	77,407
Special education - transportation	95,522	110,322
Special education - itinerents	415,690	463,853
Other	5,122	393
	<u>616,735</u>	<u>651,975</u>
Total interdistrict	616,735	651,975
Total Expenditures	<u><u>\$ 25,095,677</u></u>	<u><u>\$ 23,835,899</u></u>

NONMAJOR FUNDS

EAST GRAND RAPIDS PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2006

	Special Revenue	
	Food Service	Athletics
Assets		
Cash equivalents, deposits and investments	\$ 167,744	\$ 51,731
Receivables:		
Accounts	-	15,000
Taxes	-	-
Due from other funds	-	10,241
Due from other governmental units	19,339	-
Inventory	11,991	-
Prepaid expenditures	-	-
Total Assets	\$ 199,074	\$ 76,972
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 21,563	\$ 1,029
Due to other funds	130,787	-
Due to other governmental units	816	2,541
Payroll withholdings payable	-	-
Salaries payable	-	10,655
Deferred revenue	-	-
Total Liabilities	153,166	14,225
Fund Balances		
Reserved for debt service	-	-
Reserved for capital outlay	-	-
Unreserved:		
Undesignated	45,908	62,747
Total Fund Balances	45,908	62,747
Total Liabilities and Fund Balances	\$ 199,074	\$ 76,972

Debt Service				Capital Projects 2000 Construction	Total
1996	2000	2001	2005		
\$ 25,165	\$ 61,251	\$ 12,182	\$ 26,307	\$ 1,852	\$ 346,232
-	-	-	-	-	15,000
-	3,899	6,185	11,309	-	21,393
-	-	-	-	-	10,241
-	-	-	-	-	19,339
-	-	-	-	-	11,991
-	30	-	-	-	30
<u>\$ 25,165</u>	<u>\$ 65,180</u>	<u>\$ 18,367</u>	<u>\$ 37,616</u>	<u>\$ 1,852</u>	<u>\$ 424,226</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,592
-	-	-	-	-	130,787
-	-	-	-	-	3,357
-	-	-	-	-	-
-	-	-	-	-	10,655
-	3,899	6,185	11,309	-	21,393
-	3,899	6,185	11,309	-	188,784
25,165	61,281	12,182	26,307	-	124,935
-	-	-	-	1,852	1,852
-	-	-	-	-	108,655
<u>25,165</u>	<u>61,281</u>	<u>12,182</u>	<u>26,307</u>	<u>1,852</u>	<u>235,442</u>
<u>\$ 25,165</u>	<u>\$ 65,180</u>	<u>\$ 18,367</u>	<u>\$ 37,616</u>	<u>\$ 1,852</u>	<u>\$ 424,226</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2006

	Special Revenue	
	Food Service	Athletics
Revenues		
Local sources:		
Property taxes	\$ -	\$ -
Interest earnings	-	-
Sales and admissions	753,855	422,366
Total local sources	753,855	422,366
State sources	35,775	-
Federal sources	109,575	-
Total Revenues	899,205	422,366
Expenditures		
Current:		
Food service	855,770	-
Athletics	-	864,172
Debt service:		
Principal repayment	-	-
Interest and fiscal charges	-	-
Total Expenditures	855,770	864,172
Excess (Deficiency) of Revenues Over Expenditures	43,435	(441,806)
Other Financing Sources		
Loan proceeds	-	-
Transfers in	-	465,966
Total Other Financing Sources	-	465,966
Net Change in Fund Balances	43,435	24,160
Fund Balances, July 1	2,473	38,587
Fund Balances, June 30	\$ 45,908	\$ 62,747

Debt Service				Capital Projects 2000 Construction	Total
1996	2000	2001	2005		
\$ -	\$ 684,724	\$ 1,271,273	\$ 1,924,826	\$ -	\$ 3,880,823
-	55,649	6,801	13,332	202	75,984
-	-	-	-	-	1,176,221
-	740,373	1,278,074	1,938,158	202	5,133,028
-	-	-	-	-	35,775
-	-	-	-	-	109,575
-	740,373	1,278,074	1,938,158	202	5,278,378
-	-	-	-	-	855,770
-	-	-	-	-	864,172
-	575,000	65,000	1,195,000	-	1,835,000
-	126,331	1,228,700	1,041,043	-	2,396,074
-	701,331	1,293,700	2,236,043	-	5,951,016
-	39,042	(15,626)	(297,885)	202	(672,638)
-	-	-	321,456	-	321,456
-	-	-	-	-	465,966
-	-	-	321,456	-	787,422
-	39,042	(15,626)	23,571	202	114,784
25,165	22,239	27,808	2,736	1,650	120,658
<u>\$ 25,165</u>	<u>\$ 61,281</u>	<u>\$ 12,182</u>	<u>\$ 26,307</u>	<u>\$ 1,852</u>	<u>\$ 235,442</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Sales and admissions	\$ 715,568	\$ 753,855	\$ 38,287
State sources	20,000	35,775	15,775
Federal sources	<u>75,812</u>	<u>109,575</u>	<u>33,763</u>
Total Revenues	<u>811,380</u>	<u>899,205</u>	<u>87,825</u>
Expenditures			
Current:			
Food service	<u>808,896</u>	<u>855,770</u>	<u>(46,874)</u>
Net Change in Fund Balances	2,484	43,435	40,951
Fund Balances, July 1	<u>2,473</u>	<u>2,473</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 4,957</u></u>	<u><u>\$ 45,908</u></u>	<u><u>\$ 40,951</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Sales and admissions	<u>\$ 338,645</u>	<u>\$ 422,366</u>	<u>\$ 83,721</u>
Expenditures			
Current:			
Athletics	<u>793,739</u>	<u>864,172</u>	<u>(70,433)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(455,094)</u>	<u>(441,806)</u>	<u>13,288</u>
Other Financing Sources			
Transfers in	<u>476,195</u>	<u>465,966</u>	<u>(10,229)</u>
Net Change in Fund Balances	<u>21,101</u>	<u>24,160</u>	<u>3,059</u>
Fund Balances, July 1	<u>38,587</u>	<u>38,587</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 59,688</u></u>	<u><u>\$ 62,747</u></u>	<u><u>\$ 3,059</u></u>

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 167,744	\$ 44,450
Due from other governmental units	19,339	6,227
Inventory	<u>11,991</u>	<u>13,182</u>
Total Assets	<u><u>\$ 199,074</u></u>	<u><u>\$ 63,859</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 21,563	\$ 60,949
Due to other funds	130,787	-
Due to other governmental units	816	437
Payroll withholdings payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>153,166</u>	<u>61,386</u>
Fund Balances		
Unreserved:		
Undesignated	<u>45,908</u>	<u>2,473</u>
Total Liabilities and Fund Balances	<u><u>\$ 199,074</u></u>	<u><u>\$ 63,859</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	2006	2005
Revenues		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 373,978	\$ 339,413
Adult lunches	102,612	93,610
Milk	5,313	8,464
Ala carte	233,508	218,744
Vending machines	37,622	36,919
Other	822	(1,623)
Total local sources	753,855	695,527
State sources	35,775	28,487
Federal sources	109,575	91,824
Total Revenues	899,205	815,838
Expenditures		
Current:		
Food service:		
Food service salaries	209,062	200,626
Employee benefits:		
Employee insurance	21,085	22,619
Retirement	33,616	29,477
Social Security	15,632	15,458
Contracted services	150,604	150,515
Local travel	21	33
Telephone	995	639
Advertising and printing	268	177
Equipment repair and maintenance	1,256	230
Food	388,539	361,950
Non-edible supplies	27,979	27,937
Gasoline, oil and grease	826	899
Uniforms	1,704	1,723
New equipment and furniture	3,776	17,401
Miscellaneous	407	2,885
Total Expenditures	855,770	832,569
Net Change in Fund Balances	43,435	(16,731)
Fund Balances, July 1	2,473	19,204
Fund Balances, June 30	\$ 45,908	\$ 2,473

EAST GRAND RAPIDS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 51,731	\$ 57,512
Accounts receivable	15,000	-
Due from other funds	<u>10,241</u>	<u>-</u>
Total Assets	<u><u>\$ 76,972</u></u>	<u><u>\$ 57,512</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 1,029	\$ -
Due to other funds	-	5,387
Due to other governmental units	2,541	2,410
Salaries payable	<u>10,655</u>	<u>11,128</u>
Total Liabilities	<u>14,225</u>	<u>18,925</u>
Fund Balances		
Unreserved:		
Undesignated	<u>62,747</u>	<u>38,587</u>
Total Liabilities and Fund Balances	<u><u>\$ 76,972</u></u>	<u><u>\$ 57,512</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	2006	2005
Revenues		
Local sources:		
Sales and admissions:		
Admissions	\$ 124,772	\$ 100,350
Season tickets	12,690	12,625
Resale supplies	7,070	37,746
Participation fees	122,622	108,074
Tournament revenue	76,842	55,889
Fundraisers	78,370	62,532
Total Revenues	422,366	377,216
Expenditures		
Current:		
Athletics:		
Salaries:		
Director	132,160	128,373
Coaches	258,735	239,909
Trainer	30,944	32,231
Drivers	33,381	42,263
Other	15,005	13,698
Employee benefits:		
Employee insurance	13,607	5,253
Retirement	60,694	49,071
Social Security	29,560	26,521
Unemployment compensation	219	119
Contracted services	8,086	4,539
Officials and workers	25,387	25,659
Local travel	13,252	16,670
Equipment repair and maintenance	6,057	2,099
Supplies and expenses	17,717	20,092
Fundraising	62,350	55,853
Resale supplies	13,059	48,626
Tournament expenses	79,342	59,352
Miscellaneous	64,617	45,416
Total Expenditures	864,172	815,744
Excess (Deficiency) of Revenues Over Expenditures	(441,806)	(438,528)
Other Financing Sources		
Transfers in	465,966	433,016
Net Change in Fund Balances	24,160	(5,512)
Fund Balances, July 1	38,587	44,099
Fund Balances, June 30	\$ 62,747	\$ 38,587

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2006

	<u>1996</u>	<u>2000</u>	<u>2001</u>
Assets			
Cash equivalents, deposits and investments	\$ 25,165	\$ 61,251	\$ 12,182
Taxes receivable	-	3,899	6,185
Prepaid expenditures	-	30	-
Total Assets	<u><u>\$ 25,165</u></u>	<u><u>\$ 65,180</u></u>	<u><u>\$ 18,367</u></u>
 Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	3,899	6,185
Total Liabilities	<u>-</u>	<u>3,899</u>	<u>6,185</u>
Fund Balances			
Reserved for debt service	<u>25,165</u>	<u>61,281</u>	<u>12,182</u>
Total Liabilities and Fund Balances	<u><u>\$ 25,165</u></u>	<u><u>\$ 65,180</u></u>	<u><u>\$ 18,367</u></u>

2005	Totals	
	2006	2005
\$ 26,307	\$ 124,905	78,712
11,309	21,393	20,568
-	30	30
<u>\$ 37,616</u>	<u>\$ 146,328</u>	<u>\$ 99,310</u>

\$ -	\$ -	794
11,309	21,393	20,568
<u>11,309</u>	<u>21,393</u>	<u>21,362</u>
<u>26,307</u>	<u>124,935</u>	<u>77,948</u>
<u>\$ 37,616</u>	<u>\$ 146,328</u>	<u>\$ 99,310</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

	1996	2000	2001
Revenues			
Local sources:			
Property taxes:			
Current property taxes	\$ -	\$ 682,392	\$ 1,266,943
Delinquent property taxes	-	8	14
Interest on delinquent taxes	-	2,324	4,316
	-	684,724	1,271,273
Interest earnings:			
Interest on deposits	-	55,649	6,801
Total Revenues	-	740,373	1,278,074
Expenditures			
Debt service:			
Principal repayment	-	575,000	65,000
Interest and fiscal charges:			
Interest expense	-	125,781	1,227,775
Paying agent fees	-	550	925
Tax refunds	-	-	-
Bond issuance costs	-	-	-
Underwriter's discount	-	-	-
Total Expenditures	-	701,331	1,293,700
Excess (Deficiency) of Revenues Over Expenditures	-	39,042	(15,626)
Other Financing Sources (Uses)			
Refunding bonds issued	-	-	-
Bond premium	-	-	-
Loan proceeds	-	-	-
Payments to escrow agent	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	39,042	(15,626)
Fund Balances, July 1	25,165	22,239	27,808
Fund Balances, June 30	\$ 25,165	\$ 61,281	\$ 12,182

2005	Totals	
	2006	2005
\$ 1,918,271	\$ 3,867,606	\$ 3,673,815
21	43	465
6,534	13,174	10,769
1,924,826	3,880,823	3,685,049
13,332	75,782	39,716
1,938,158	3,956,605	3,724,765
1,195,000	1,835,000	1,565,000
1,040,693	2,394,249	2,052,525
350	1,825	425
-	-	8,993
-	-	148,252
-	-	99,997
2,236,043	4,231,074	3,875,192
(297,885)	(274,469)	(150,427)
-	-	25,125,000
-	-	1,150,374
321,456	321,456	523,443
-	-	(26,653,600)
321,456	321,456	145,217
23,571	46,987	(5,210)
2,736	77,948	83,158
\$ 26,307	\$ 124,935	\$ 77,948

CAPITAL PROJECTS FUNDS

Building and Site—to account for property tax revenues and interest earnings used to finance building restoration projects.

2000 Construction—to account for bond proceeds used to finance building construction and renovation projects.

2006 Construction—to account for bond proceeds used to finance building construction and renovation projects.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 1,051,329	\$ 918,142
Taxes receivable	1,233	1,240
Due from other funds	<u>-</u>	<u>49,464</u>
Total Assets	<u><u>\$ 1,052,562</u></u>	<u><u>\$ 968,846</u></u>
 Liabilities and Fund Balances		
Liabilities		
Due to other funds	\$ -	\$ 429
Deferred revenue	<u>1,233</u>	<u>1,240</u>
Total Liabilities	<u>1,233</u>	<u>1,669</u>
Fund Balances		
Reserved for capital outlay	<u>1,051,329</u>	<u>967,177</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,052,562</u></u>	<u><u>\$ 968,846</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local sources:		
Property taxes:		
Current property taxes	\$ 217,928	\$ 211,112
Delinquent property taxes	3	-
Interest on delinquent taxes	742	613
	<u>218,673</u>	<u>211,725</u>
Interest earnings:		
Interest on deposits	49,365	28,807
	<u>49,365</u>	<u>28,807</u>
Total Revenues	<u>268,038</u>	<u>240,532</u>
Expenditures		
Business services:		
Tax refunds	-	526
Capital outlay:		
Building improvements	183,078	457,131
Miscellaneous	808	27,170
	<u>183,886</u>	<u>484,827</u>
Total Expenditures	<u>183,886</u>	<u>484,827</u>
Net Change in Fund Balances	84,152	(244,295)
Fund Balances, July 1	<u>967,177</u>	<u>1,211,472</u>
Fund Balances, June 30	<u><u>\$ 1,051,329</u></u>	<u><u>\$ 967,177</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2000 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 1,852	\$ 2,079
Due from other funds	<u>-</u>	<u>429</u>
Total Assets	<u><u>\$ 1,852</u></u>	<u><u>\$ 2,508</u></u>
 Liabilities and Fund Balances		
Liabilities		
Due to other funds	<u>\$ -</u>	<u>\$ 858</u>
Fund Balances		
Reserved for capital outlay	<u>1,852</u>	<u>1,650</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,852</u></u>	<u><u>\$ 2,508</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2000 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Interest earnings:		
Interest on investments	<u>\$ 202</u>	<u>\$ 997</u>
Expenditures		
Capital outlay:		
Arbitrage rebate	-	114,730
New equipment and furniture	<u>-</u>	<u>86,298</u>
Total Expenditures	<u>-</u>	<u>201,028</u>
Net Change in Fund Balances	202	(200,031)
Fund Balances, July 1	<u>1,650</u>	<u>201,681</u>
Fund Balances, June 30	<u><u>\$ 1,852</u></u>	<u><u>\$ 1,650</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2006 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 19,046,407</u>	<u>\$ -</u>
Liabilities and Fund Balances		
Liabilities		
Due to other funds	<u>\$ 22,100</u>	<u>\$ -</u>
Fund Balances		
Reserved for capital outlay	<u>19,024,307</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 19,046,407</u>	<u>\$ -</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2006 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues	<u>\$ -</u>	<u>\$ -</u>
Expenditures		
Capital outlay:		
Other professional services	2,792	-
New equipment and furniture	21,043	-
Bond issuance costs	97,526	-
Underwriter's discount	72,765	-
	<u>194,126</u>	<u>-</u>
Total Expenditures	<u>194,126</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(194,126)</u>	<u>-</u>
Other Financing Sources		
Bond proceeds	18,900,000	-
Bond premium	318,433	-
	<u>19,218,433</u>	<u>-</u>
Total Other Financing Sources	<u>19,218,433</u>	<u>-</u>
Net Change in Fund Balances	<u>19,024,307</u>	<u>-</u>
Fund Balances, July 1	<u>-</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 19,024,307</u></u>	<u><u>\$ -</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2006

	<u>Balances</u> July 1, 2005	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> June 30, 2006
Assets				
Cash equivalents, deposits and investments	\$ 267,911	\$ 511,092	\$ 514,811	\$ 264,192
Accounts receivable	4,372	135	4,356	151
Due from other funds	<u>3,450</u>	<u>12,279</u>	<u>15,729</u>	<u>-</u>
Total Assets	<u><u>\$ 275,733</u></u>	<u><u>\$ 523,506</u></u>	<u><u>\$ 534,896</u></u>	<u><u>\$ 264,343</u></u>
Liabilities				
Due to other funds	\$ -	\$ 27,612	\$ 18,612	\$ 9,000
Due to student groups	<u>275,733</u>	<u>542,560</u>	<u>562,950</u>	<u>255,343</u>
Total Liabilities	<u><u>\$ 275,733</u></u>	<u><u>\$ 570,172</u></u>	<u><u>\$ 581,562</u></u>	<u><u>\$ 264,343</u></u>

OTHER INFORMATION

EAST GRAND RAPIDS PUBLIC SCHOOLS
Summary of 2005 Taxes Levied and Collected
For the year ended June 30, 2006

	Kent County		
	City of East Grand Rapids	Township of Grand Rapids	Total
Taxable Valuations			
Operating	\$ 44,545,108	\$ 1,712,747	\$ 46,257,855
Recreation/Debt Service/Building & Site	457,566,841	29,792,979	487,359,820
Rates (Mills)			
General Fund - Operating			17.1173
General Fund - Recreation			1.3837
2000 Debt Service Fund			1.4027
2001 Debt Service Fund			2.6042
2004 Debt Service Fund			3.9431
Building and Site Fund			0.4480
			<u>26.8990</u>
Taxes Levied 2005 Rolls			
General Fund - Operating	\$ 762,489	\$ 29,146	\$ 791,635
General Fund - Recreation	633,115	41,224	674,339
2000 Debt Service Fund	641,817	41,790	683,607
2001 Debt Service Fund	1,191,610	77,588	1,269,198
2004 Debt Service Fund	1,804,210	117,475	1,921,685
Building and Site Fund	204,969	13,347	218,316
	<u>5,238,210</u>	<u>320,570</u>	<u>5,558,780</u>
Taxes Uncollected 2005 Rolls			
General Fund - Operating	14,764	-	14,764
General Fund - Recreation	1,198	-	1,198
2000 Debt Service Fund	1,283	-	1,283
2001 Debt Service Fund	2,382	-	2,382
2004 Debt Service Fund	3,606	-	3,606
Building and Site Fund	388	-	388
	<u>23,621</u>	<u>-</u>	<u>23,621</u>
Taxes Collected 2005 Rolls			
General Fund - Operating	747,725	29,146	776,871
General Fund - Recreation	631,917	41,224	673,141
2000 Debt Service Fund	640,534	41,790	682,324
2001 Debt Service Fund	1,189,228	77,588	1,266,816
2004 Debt Service Fund	1,800,604	117,475	1,918,079
Building and Site Fund	204,581	13,347	217,928
	<u>5,214,589</u>	<u>320,570</u>	<u>5,535,159</u>
Delinquent Taxes Collected			
General Fund	101	-	101
2000 Debt Service Fund	8	-	8
2001 Debt Service Fund	14	-	14
2004 Debt Service Fund	21	-	21
Building and Site Fund	3	-	3
	<u>147</u>	<u>-</u>	<u>147</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
Summary of 2005 Taxes Levied and Collected
For the year ended June 30, 2006

	Kent County		
	City of East Grand Rapids	Township of Grand Rapids	Total
Total Taxes Collected			
General Fund - Operating	\$ 747,826	\$ 29,146	\$ 776,972
General Fund - Recreation	631,917	41,224	673,141
2000 Debt Service Fund	640,542	41,790	682,332
2001 Debt Service Fund	1,189,242	77,588	1,266,830
2004 Debt Service Fund	1,800,625	117,475	1,918,100
Building and Site Fund	204,584	13,347	217,931
	<u>\$ 5,214,736</u>	<u>\$ 320,570</u>	<u>\$ 5,535,306</u>
Taxes Uncollected - June 30, 2006			
General Fund - Operating:			
2005	\$ 15,962	\$ -	\$ 15,962
2004	17,445	-	17,445
2003	12,932	1,928	14,860
	<u>46,339</u>	<u>1,928</u>	<u>48,267</u>
2000 Debt Service Fund:			
2005	1,283	-	1,283
2004	1,412	-	1,412
2003	1,047	157	1,204
	<u>3,742</u>	<u>157</u>	<u>3,899</u>
2001 Debt Service Fund:			
2005	2,382	-	2,382
2004	2,627	-	2,627
2003	998	178	1,176
	<u>6,007</u>	<u>178</u>	<u>6,185</u>
2004 Debt Service Fund:			
2005	3,606	-	3,606
2004	3,334	-	3,334
2003	3,827	542	4,369
	<u>10,767</u>	<u>542</u>	<u>11,309</u>
Building and Site Fund:			
2005	388	-	388
2004	431	-	431
2003	363	51	414
	<u>1,182</u>	<u>51</u>	<u>1,233</u>
Total Taxes Uncollected	<u>\$ 68,037</u>	<u>\$ 2,856</u>	<u>\$ 70,893</u>

**EAST GRAND RAPIDS
PUBLIC SCHOOLS
Kent County, Michigan**

Auditor's Report On Compliance
For Federal Grant Programs

For the year ended June 30, 2006

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EAST GRAND RAPIDS PUBLIC SCHOOLS

For the year ended June 30, 2006

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Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

September 22, 2006

The Board of Education
East Grand Rapids Public Schools
East Grand Rapids, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand Rapids Public Schools as of and for the year ended June 30, 2006, which collectively comprise East Grand Rapids Public School's basic financial statements and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Grand Rapids Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we considered to be material weaknesses.

The Board of Education
East Grand Rapids Public Schools
September 22, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Grand Rapids Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Austin, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

September 22, 2006

The Board of Education
East Grand Rapids Public Schools
East Grand Rapids, Michigan

Compliance

We have audited the compliance of East Grand Rapids Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. East Grand Rapids Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of East Grand Rapids Public School's management. Our responsibility is to express an opinion of East Grand Rapids Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Grand Rapids Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on East Grand Rapids Public School's compliance with those requirements.

In our opinion, East Grand Rapids Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of East Grand Rapids Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered East Grand Rapids Public School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand Rapids Public Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated September 22, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise East Grand Rapids Public School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Bentley, P.C.

Certified Public Accountants

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EAST GRAND RAPIDS PUBLIC SCHOOLS

For the year ended June 30, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title I:	84.010	
0415300405		\$2,347
0515300405		81,680
0615300506		83,440
Total Title I		167,467
Title IIA:	84.367	
040520405		21,435
050520405		36,678
050520506		21,979
060520506		58,878
Total Title IIA		138,970
Title IID:	84.318	
0542900405		2,076
0642900506		1,557
Total Title IID		3,633
Title V:	84.298	
0502500405		1,744
0602500506		1,177
Total Title V		2,921
State Plan Self Review: 060440	84.027A	4,130
Total Passed Through MDE		317,121

(Continued)

Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
\$2,347 67,000	\$2,347 67,000	\$14,680 67,231	\$2,347 81,680	\$67,231
69,347	69,347	81,911	84,027	67,231
21,435 9,000	21,435 9,000	27,678 3,760 21,776	21,435 36,678	3,760 21,776
30,435	30,435	53,214	58,113	25,536
2,076	2,076	9	2,076	9
2,076	2,076	9	2,076	9
1,544	1,544	200 276	1,744	276
1,544	1,544	476	1,744	276
		4,130		4,130
103,402	103,402	139,740	145,960	97,182

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**EAST GRAND RAPIDS PUBLIC SCHOOLS**

For the year ended June 30, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
Passed through Kent Intermediate School District (KISD): Safe and Drug Free Schools and Communities Act: 2005-06 Program	84.186	<u>\$6,143</u>
Special Education Cluster: I.D.E.A. – Flow Through: Flow Through – 0504500405 Flow Through – 0604500506	84.027	<u>434,588</u> <u>422,876</u>
Total I.D.E.A. – Flow Through		<u>857,464</u>
I.D.E.A. –TMT/Transition: TMT - 0504800405 Transition - 050490 TS	84.027A	<u>509</u> <u>1,666</u>
Total I.D.E.A. – TMT/Transition		<u>2,175</u>
I.D.E.A. – Preschool: Preschool – 0504600405 Preschool – 0604600506	84.173	<u>12,856</u> <u>7,737</u>
Total I.D.E.A. – Preschool		<u>20,593</u>
Total Special Education Cluster		<u>880,232</u>
Total Passed Through KISD		<u>886,375</u>
Total U.S. Department of Education		<u>1,203,496</u>

(Continued)

Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
	\$6,107	\$6,143	\$6,143	
\$163,204	422,336	413,749	163,204 255,145	\$158,604
163,204	422,336	413,749	418,349	158,604
509	509 1,666	1,666	509 1,666	
509	2,175	1,666	2,175	—
4,925	12,856	7,735	4,925 4,690	3,045
4,925	12,856	7,735	9,615	3,045
168,638	437,367	423,150	430,139	161,649
168,638	443,474	429,293	436,282	161,649
272,040	546,876	569,033	582,242	258,831

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS

For the year ended June 30, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Health and Human Services		
Passed through Kent Intermediate School District (KISD):		
School Based Medicaid	93.778	
2005-06		<u>\$2,011</u>
Total U.S. Department of Health and Human Services		<u>2,011</u>
U.S. Department of Agriculture Nutrition Cluster		
Passed Through Michigan Department of Education (MDE):		
National School Lunch Program:		
Lunches:		
Section 4 – Total Servings – 1950	10.555	37,078
Section 11 – Free and Reduced – 1960		<u>43,802</u>
Total Lunches		<u>80,880</u>
Special Milk – 1940	10.556	<u>5,415</u>
USDA Commodities:		
Bonus Commodities	10.550	937
Entitlement Commodities		<u>22,342</u>
Total USDA Commodities		<u>23,279</u>
Total U.S. Department of Agriculture (Passed Through MDE)		<u>109,574</u>
Total Federal Financial Assistance		<u><u>\$1,315,081</u></u>

- Notes: 1. This schedule was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.
2. The amounts reported on the R7120, Grant Section Auditors Report, reconcile with this schedule.
3. The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with this schedule for USDA donated food commodities.

Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
	\$46	\$2,011	\$2,011	
—	46	2,011	2,011	—
	32,693	37,078	31,540	\$5,538
	33,732	43,802	37,356	6,446
—	66,425	80,880	68,896	11,984
	4,611	5,415	4,583	832
	938	937	937	
	19,850	22,342	22,342	
—	20,788	23,279	23,279	—
—	91,824	109,574	96,758	12,816
\$272,040	\$638,746	\$680,618	\$681,011	\$271,647

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS

For the year ended June 30, 2006

Section I – Summary of Auditor’s Results (Continued)

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EAST GRAND RAPIDS PUBLIC SCHOOLS

For the year ended June 30, 2006

Note A – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Title I	\$81,911	\$81,911	
Title IIA	53,214	53,214	
Title IID	9	9	
Title V	476	476	
Safe and Drug Free Schools and Communities Act	4,130	4,130	
Drug Free Schools	6,143	6,143	
I.D.E.A.	423,150	423,150	
School Based Medicaid	2,011	2,011	
Nutrition Cluster	109,574	109,574	
	\$680,618	\$680,618	—

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A S AND CONSULTANTS

September 22, 2006

The Board of Education
East Grand Rapids Public Schools

The following comments pertain to our audit of the financial records of East Grand Rapids Public Schools as of and for the year ended June 30, 2006. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of East Grand Rapids Public Schools:

Auditors Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered East Grand Rapids Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether East Grand Rapids Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about East Grand Rapids Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on East Grand Rapids Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on East Grand Rapids Public School's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by East Grand Rapids Public Schools are described in Note A to the financial statements.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing the audit of the financial statements of East Grand Rapids Public Schools for the year ended June 30, 2006. We found the internal control structure and accounting system to be basically adequate and operating in the manner intended.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

General Fund

1. \$15,861 to record 2005 delinquent personal property taxes receivable and \$14,279 to write off 2002 delinquent personal property taxes uncollected at June 30, 2006.
2. \$61,432 to record accounts receivable for 2005-06 Medicaid reimbursement from KISD.

Food Service Fund

1. \$23,279 to record USDA bonus and entitlement commodities received during the year.

2006 Construction Fund

1. \$416,691 to record the transactions of the new bond issue for premium, discount and bond issuance costs.

Proposed Audit Adjustments

There were no material adjustments proposed during the audit not recorded by East Grand Rapids Public Schools.

Suggestions And Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of East Grand Rapids Public Schools to the Assistant Superintendent for Business, the Accounting Supervisor and District accounting personnel as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting.

Other Comments

The General Fund balance of the District increased by \$787,980 to \$3,769,167 at June 30, 2006. This fund balance does not include \$125,386 of deferred revenue for donations to the District that had not been collected within sixty days after the close of the fiscal year. The fund balance of \$3,769,167 represents approximately 13 percent of the District's 2006-07 expenditure budget, up from 11.55 percent at June 30, 2005. The fund balance would have been at 13.35 percent had the donations not been deferred. Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for East Grand Rapids Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that East Grand Rapids Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

This communication is intended solely for the information and use of the East Grand Rapids Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to East Grand Rapids Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.



Certified Public Accountants